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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of ----- )  
 )  
PUBLIC UTILITIES COMMISSION ) DOCKET NO. 05-0002  
 )  
Instituting a Proceeding to Investigate the )  
Issues and Requirements Raised by, and )  
Contained in, Hawaii Revised Statutes )  
486H, as Amended )  
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PUBLIC UTILITIES  
COMMISSION

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SHELL OIL COMPANY'S  
INFORMATION REQUESTS TO ICF CONSULTING, LLC

CERTIFICATE OF SERVICE

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**SHELL OIL COMPANY'S  
INFORMATION REQUESTS TO ICF CONSULTING, LLC**

Party-Intervenor SHELL OIL COMPANY ("Shell") hereby submits its Information Requests to ICF CONSULTING, LLC ("ICF"). Shell notes that all defined terms used herein are as set forth in that certain report prepared by ICF entitled Implementation Recommendations for Hawaii Revised Statutes Chapter 486H, Gasoline Price Cap Legislation filed herein on April 15, 2005 ("Report").

Shell notes that any all references to Haw. Rev. Stat. Chapter 486H herein refers said law as most recently amended in 2004.

Finally, Shell notes that the inclusion of all page references in the Report for certain information requests are made for the convenience of ICF, and shall not be construed as limiting the scope of the substance of said information requests in any way.

Shell respectfully requests that ICF provide full, complete, and timely responses to the following information requests:

**SHELL-IR-1**                      **Reference: p. 19.** In forming ICF's recommendations as to source price in § 2.2.3 of the Report, was any analysis performed by ICF to understand which markets currently make Hawaii-grade gasoline that is ready for import into the Hawaii market?

- a.            If so, please explain in as much detail as possible, the analysis that was performed.

**SHELL-IR-2**                      **Reference: p. 18.** Please explain in as much detail as possible, ICF's entire basis for asserting that the Singapore market is a true alternative, or market source for gasoline in Hawaii.

- a.            Does the fact that gasoline produced in Singapore has different quality characteristics than gasoline found in the Hawaii market affect ICF's position as set forth above, in any way?
  - (1)          If so, please explain in as much detail as possible, how it impacts ICF's position on this matter.

- SHELL-IR-3      **Reference: p. 18.** Based on its position taken on page 18 of the Report, is it ICF's position that a Singapore refiner would produce a special Hawaii-grade fuel for the same price as regular Singapore gasoline?
- a.      If so, please explain in as much detail as possible, ICF's entire basis for its position.
- SHELL-IR-4      **Reference: p. 19.** Please explain in as much detail as possible, ICF's entire basis for claiming that Hawaii could be a reasonably competitive disposition for Caribbean gasoline volume at a price of Gulf Coast spot less 1 cpg?
- SHELL-IR-5      **Reference: p. 19.** Does ICF agree with the position that a Caribbean refiner/trader would prefer to move gasoline product into the Gulf market and keep the extra 1 cpg?
- a.      If not, please explain in as much detail as possible, why not.
- SHELL-IR-6      **Reference: p. 19.** Given the lengthy shipping timeline from either the Caribbean or Singapore markets to Hawaii, would ICF agree that an importer would experience some degree of price risk during this transportation?
- a.      If not, please explain in as much detail as possible, why not.
- b.      If so, was this risk premium factored into ICF's recommendations as to import parity price?
- (1)      If so, please explain in as much detail as possible, how it was factored in.
- (2)      If not, please explain in as much detail as possible, why it was not factored in.
- SHELL-IR-7      **Reference: p. 19.** ICF's recommendations in § 2.2.3 of the Report proposes utilizing a 50/50 split between Singapore and Caribbean imports when calculating the "basket" price for import parity. Please explain the entire basis for utilizing this 50% ratio.

- a. Please explain the entire basis for not utilizing a weighted basket analysis based on factors relating to the likelihood of importing gasoline product from either Singapore or Caribbean under normal circumstances.

SHELL-IR-8

**Reference: p. 19.** Does ICF agree that its recommendations in Section 2 of the Report rely on the concept of import parity as a foundation for bulk transfers, and presumes that import parity equals a representative spot market price plus transportation costs?

- a. If not, please explain in as much detail as possible, why not.
- b. If so, please explain in as much detail as possible, ICF's entire basis to support this logic.
- c. Did ICF review historical data to demonstrate a similar import parity relationship between Singapore or the Caribbean and the United States West Coast, in coming to its recommendations set forth in § 2 of the Report?
  - (1) If so, please provide copies of all data and documentation so reviewed.

SHELL-IR-9

**Reference: p. 19.** In forming its recommendations in § 2.2 of the Report, did ICF consider or analyze the impact of the price cap when the proposed import parity price is lower than a local refiner's export opportunity (i.e. exporting gasoline from Hawaii to an alternative site like Portland, Oregon)?

- a. If not, please explain in as much detail as possible why not.

SHELL-IR-10

**Reference: p. 19.** Does ICF agree that assuming its recommendations in the Report are implemented as written, there is a possibility that Hawaii refiners would occasionally realize greater profit margins by exporting Hawaii gasoline rather than selling it in Hawaii?

- a. If not, please explain in as much detail as possible why not.
- b. If so, does the use of an import parity cap increase the supply risk for Hawaii?
- c. How would increased gasoline exports from Hawaii impact Hawaii consumers and the Hawaii gasoline market?

- SHELL-IR-11      **Reference: pp. 17 – 19.** Do ICF's recommendations in § 2.2 of the Report include any review of the impact from Ethanol blending legislation that is required to be implemented in Hawaii in 2006?
- a.      If not, please explain why not?
- SHELL-IR-12      **Reference: pp. 17 – 19.** Is it ICF's position that the implementation of the Ethanol blending legislation will impact its observations, findings, and recommendations set forth in § 2 of the Report?
- a.      If not, please explain why not?
- b.      If so, please explain in as much detail as possible, what said impact will be.
- SHELL-IR-13      **Reference: pp. 17 – 19.** For purposes of preparing its recommendations in § 2.2 of the Report, is it ICF's expectation that a base gasoline for ethanol blending will be readily available in the Singapore market?
- a.      If not, is it ICF's position that the proposed baseline source price still represents a realistic import parity price?
- (1)      If so, please explain in as much detail as possible ICF's entire basis for so claiming.
- SHELL-IR-14      **Reference: pp. 17 – 19.** In preparing its recommendations in § 2.2, did ICF prepare and include an analysis regarding the cost to import Ethanol into Hawaii?
- a.      If so, please explain in as much detail as possible, the analysis that was performed.
- b.      If not, please explain why not.
- SHELL-IR-15      **Reference: pp. 17 – 19.** Where is the most likely source for imported Ethanol into Hawaii, and how will it be included in ICF's proposed baseline cost as set forth in § 2.2 of the Report?
- SHELL-IR-16      **Reference: pp. 17 – 19.** Does ICF know how the import parity price calculation will be performed in 2006 after the Ethanol blending law is implemented?

SHELL-IR-17

**Reference: p. 76.** At p. 76 of the Report, ICF notes that “[t]he intent of this report was not to identify the issues or impacts of ethanol blending; however, it is clearly a factor which may need to be considered by the Commission in future Gas Cap management.” In view of this position, please explain in as much detail as possible, what additional analyses should be undertaken to fully identify the issues or impacts of ethanol blending.

- a. Does ICF believe that it would be reasonable and prudent to perform these analyses prior to the implementation of the gas cap law?
  - (1) If not, please explain in as much detail as possible why not.
- b. Does ICF have a position as to who would be the appropriate person or entity to perform these analyses?
  - (1) If so, please explain what the position is.
- c. Does ICF have a position as to an estimate as to the amount of time that should be allocated to properly perform and understand these analyses?
  - (1) If so, please explain what the position is.

SHELL-IR-18

Is it ICF’s position that the proposed formula for establishing a baseline price for regular unleaded gasoline as proposed in HRS § 486H-13(c) is not an appropriate formula to be utilized in the implementation of the gas cap law.

- a. If not, please explain why not.
- b. If so, please explain in as much detail as possible ICF’s entire basis for its position.

SHELL-IR-19

**Reference: p. 20.** Does ICF’s recommendations for a location adjustment for freight cost to Hawaii as set forth in Section 2.3 of the Report include the cost of freight vessels leaving Hawaii at capacity levels less than full?

- a. If so, please explain in as much detail as possible, how it is included.
- b. If not, please explain why not.

- SHELL-IR-20      **Reference: p. 20.** In preparing its recommendations in § 2.3 of the Report, please explain in as much detail as possible, what cost adjustment was made to reflect the size of cargos that can be delivered into Hawaii terminals.
- SHELL-IR-21      **Reference: p. 20.** In preparing its recommendations in § 2.3 of the Report, was vessel size and available tank storage evaluated to ensure imports were viable under the assumptions set forth in said Section 2.3?
- SHELL-IR-22      **Reference: p. 20.** In preparing its recommendations in § 2.3 of the Report and the assumptions relied upon thereto, did ICF consider the impact of a reduction in gasoline storage availability once the Ethanol blending legislation is implemented in 2006?
- SHELL-IR-23      Is it ICF's position that the proposed location adjustment factor of \$.04 cpg as set forth in HRS § 486H-13(d) is not an appropriate factor to be utilized in the implementation of the gas cap law?
- a.      If not, please explain why not.
- b.      If so, please explain in as much detail as possible ICF's entire basis for its position.
- SHELL-IR-24      **Reference: p. 25.** Other than the issues relating to volatility as set forth in § 2.5 of the Report, what makes the United States West Coast an inappropriate alternative supply point for gasoline into Hawaii?
- SHELL-IR-25      **Reference: p. 30.** In preparing § 3.2 of the Report, did ICF perform any analysis to understand local refining profitability other than the noted comparison between Alaskan North Slope crude oil and the import parity figure in the Report?
- a.      If so, please explain in as much detail as possible what analysis was performed.
- b.      If not, please explain why not.
- SHELL-IR-26      **Reference: p. 30.** In preparing § 3.2 of the Report, did ICF review any publicly available refining complexity data to understand differences in fixed costs, variable costs (especially energy costs), product yields, or throughput limitations that could impact refining profitability?

- a. If so, please explain in as much detail as possible all such data and please provide said data so reviewed.
- b. If not, please explain why not.

SHELL-IR-27

**Reference: p. 30.** In preparing § 3.2 of the Report, did ICF consider whether the relatively small scale of Hawaii gasoline refineries impacts their ability to be profitable?

- a. If not, please explain in as much detail as possible, why not.

SHELL-IR-28

**Reference: p. 30.** Based upon the positions taken in § 3.2 of the Report, will local refineries continue to have a financial incentive to grow refining capacity to meet local needs?

- a. If the answer is yes, please explain in as much detail as possible the entire basis for so claiming.
- b. If not, please explain in as much detail as possible, why not.

SHELL-IR-29

**Reference: p. 30.** In preparing § 3.2 of the Report, did ICF consider the impact of setting the import parity figure too low, resulting in the local refiner's decision to discontinue bulk and rack sales in favor of company operations?

- a. If so, please explain in as much detail as possible what the effect of this impact would be.
- b. If not, please explain in as much detail as possible why this possible scenario was not considered.

SHELL-IR-30

Do any of the recommendations contained in ICF's Report include a recommendation wherein the Hawaii Public Utilities Commission (or other governmental authority) could require a Hawaii refiner to make gasoline supply available to all marketers within the state of Hawaii, regardless of the class of trade?

SHELL-IR-31

**Reference: 30.** By way of its recommendations set forth in § 3.2 of the Report, is it ICF's position that bulk sales of gasoline between a refiner and a supplier could also include the zone price adjustment recommended in § 6.0 of the Report?



- SHELL-IR-32      **Reference: p. 35.** Please explain in as much detail as possible ICF's entire basis for selecting the eight comparative geographic markets utilized in § 3.4.1 of the Report, including but not limited to identifying all of the criteria utilized by ICF in forming ICF's position that said markets constitute an appropriate comparison markets for Hawaii.
- SHELL-IR-33      **Reference: p. 35.** As to the market comparison group utilized in § 3.4.1 of the Report, what is ICF's position as to why a wider group was not utilized?
- SHELL-IR-34      **Reference: p. 36.** In preparing § 3.4.1 of the Report, why was the sole supply cost basis utilized for Phoenix, LA Pipeline?
- SHELL-IR-35      **Reference: p. 36.** Does ICF have any basis for disputing that an appropriate supply cost basis for Phoenix should also include gasoline from sources, including but not limited to, gasoline from the Gulf Coast pipeline?
- a.      If so, please explain in as much detail as possible, the entire basis for same.
  - b.      Does ICF have any basis for disputing that utilizing the Gulf Coast pipeline as a supply cost basis would result in a lower supply cost basis for Phoenix?
    - (1)      If so, please explain in as much detail as possible, the entire basis for so claiming?
- SHELL-IR-36      **Reference: p. 36.** In preparing § 3.4.1 of the Report, why was the sole supply cost basis utilized for Seattle, Barge?
- SHELL-IR-37      **Reference: p. 36.** Does ICF have any basis for disputing that an appropriate supply cost basis for Seattle should also include gasoline from other sources, including but not limited to, the Portland Spot Market?
- a.      If so, please explain in as much detail as possible, the entire basis for same.
  - b.      Does ICF have any basis for disputing that utilizing supply cost bases other than Seattle Barge would result in a lower supply cost basis for Seattle?
    - (1)      If so, please explain in as much detail as possible, the entire basis for so claiming.

- SHELL-IR-38      **Reference: p. 36.** In preparing Exhibit 3.8 of the Report, please explain in as much detail as possible, how the “average” rack margin was calculated.
- a.      In calculating the “average” rack margin, were both branded and unbranded posting included?
- (1)      If not, please explain in as much detail as possible, why not.
- SHELL-IR-39      **Reference: p. 36.** In preparing Exhibit 3.8 of the Report, were the rack margins calculated on net rack or gross rack prices (adjusted for cash discounts)?
- a.      If the rack margins were calculated on a gross rack basis, please explain in as much detail as possible ICF’s entire basis for explaining why it is appropriate to make this calculation without taking into consideration cash discounts.
- SHELL-IR-40      **Reference: p. 36.** In preparing Exhibit 3.8 of the Report, please explain in as much detail as possible, how the data was filtered for off-rack discounts.
- SHELL-IR-41      **Reference: p. 39.** In preparing § 3.4.1 of the Report, please explain in as much detail as possible, ICF’s entire basis for utilizing a marketing margin factor for Hawaii wholesale rack sales that is double the prior year Mainland annual average, and that is to be recalculated on an annual basis.
- SHELL-IR-42      **Reference: p. 39.** In § 3.4.1 of the Report, given that the cap on the marketing margin factor for Hawaii wholesale rack sales are to be double the mainland annual margin recalculated on an annual basis, but the wholesale gasoline price cap will be administered on a weekly basis, did ICF perform any analysis as to the volatility of weekly marketing margins so as to understand whether the appropriate degree of flexibility will exist under ICF’s proposed methodology?
- a.      If so, please explain in as much detail as possible, what type of analysis was performed.
- b.      If not, please explain in as much detail as possible why such analysis was not performed.

SHELL-IR-43

**Reference: p. 39.** Based upon the positions taken in § 3.4.1 of the Report, is ICF implying that it is appropriate for rack supply costs should be similar in Hawaii and Mainland locations?

- a. If so, please explain in as much detail as possible, ICF's entire basis for its position.

SHELL-IR-44

**Reference: pp. 39 – 40.** Please explain in as much detail as possible the entire basis for ICF's recommendation in § 3.4.1 of the Report that the Unbranded Rack price cap be established at 3 cpg above the Branded price cap.

- a. Is it ICF's position that the 3cpg difference between Unbranded and Branded rack prices is an appropriate amount?
  - (1) If so, please explain as much detail as possible ICF's entire basis for so claiming.
- b. Under ICF's formula proposed herein, under what scenario would any gasoline supplier offer a Branded product over Unbranded product?

SHELL-IR-45

**Reference: p. 40.** Please explain in as much detail as possible, the entire basis for selecting the five Mainland markets utilized in § 3.4.2 of the Report for ascertaining historical DTW prices for conventional gasoline, including but not limited to listing all of the criteria utilized by ICF in making this determination.

- a. In selecting the five Mainland markets utilized in § 3.4.2 of the Report, does ICF agree that DTW price comparisons would have been more meaningful to the present analysis if the comparison markets were selected where significant dealer operations existed?
- b. In selecting the five Mainland markets utilized in § 3.4.2 of the Report, why were states with divorce laws similar to Hawaii excluded (i.e. Delaware, Virginia, Maryland, Connecticut)?

SHELL-IR-46

**Reference: p. 43.** In § 3.4.2 of the Report, given that ICF recommends that the DTW marketing margin price cap be set at double the average DTW margin of the 5 comparative states and recalculated on an annual basis, but the wholesale gasoline price cap is to be administered on a weekly basis, did ICF perform any analysis as to whether the double multiple provides the necessary flexibility to address market conditions?

- a. If so, please explain in as much detail as possible, what type of analysis was performed.
- b. If not, please explain in as much detail as possible why such analysis was not performed.

SHELL-IR-47

**Reference: p. 40.** In preparing § 3.4.2 of the Report, ICF acknowledges that it utilized EIA data instead of regional DTW pricing data because said “data is very expensive and may not offer significant value compared to the EIA data.” Please explain in as much detail as possible ICF’s entire justification for utilizing EIA data instead of other available regional DTW pricing data.

- a. Please discuss in as much detail as possible, what the potential impact is on the quality of ICF’s analysis is in § 3.4.2 by utilizing EIA data instead of other available regional DTW pricing data.
- b. In preparing § 3.4.2 of the Report, and specifically in formulating ICF’s recommendations as to DTW margins, please explain in as much detail as possible why Arizona was excluded due to “data uncertainty” and what ICF means by use of the term “data uncertainty” as it relates to the exclusion of Arizona from the DTW margin analysis.

SHELL-IR-48

**Reference: p. 40.** Please explain in as much detail as possible, ICF’s entire basis for its recommendation to add an additional 1 cpg to the estimated supply cost used for Rack margin calculations to approximate cost to position gasoline throughout a state for DTW sales, as set forth in § 3.4.2 of the Report.

SHELL-IR-49

Is it ICF’s position that the proposed marketing margin factor of \$.18 cpg as set forth in HRS § 486H-13(e) is not an appropriate factor to be utilized in the implementation of the gas cap law?

- a. If not, please explain why not.

- b. If so, please explain in as much detail as possible ICF's entire basis for its position.

SHELL-IR-50      **Reference: p. 49.** In preparing § 4.0 of the Report, please explain in as much detail as possible, how specific adjustments were made to account for quality differences in octane levels between source gasoline product and Hawaii gasoline.

SHELL-IR-51      **Reference: p. 49.** In preparing § 4.0 of the Report, please explain in as much detail as possible, how specified adjustments were made to account for quality differences in sulfur levels between source gasoline product and Hawaii gasoline.

SHELL-IR-52      **Reference: p. 51.** In preparing § 4.0 of the Report, did ICF evaluate whether or not Hawaii refiners will be financially inclined to produce premium unleaded gasoline at the proposed differential levels, or will they have an incentive to export premium unleaded gasoline and/or blending components to the West Coast?

- a. If so, please explain in as much detail as possible, what the results of this evaluation were.
- b. If not, please explain why this evaluation was not performed.

SHELL-IR-53      **Reference: p. 51.** In preparing § 4.0 of the Report, ICF recommends differentials that are set based on yearly averages, notwithstanding the fact that the spot market trades daily. In light of this, did ICF consider the possibility that local refiners may elect to take advantage of this difference and export premium barrels when the opportunity arises?

- a. If so, please explain in as much detail as possible how this consideration is factored into ICF's recommendations as set forth in § 4.0 of the Report.
- b. If not, please explain why ICF this consideration was not part of ICF's analysis in preparing § 4.0 of the Report.

SHELL-IR-54      **Reference: p. 51.** In preparing § 4.0 of the Report, did ICF analyze the impact of the Hawaii's Ethanol requirement on base specification for premium gasoline?

- a. If so, please explain in as much detail as possible what the impact will be.

- b. If not, please explain why this analysis was not performed.

SHELL-IR-55

**Reference: p. 51.** Once Hawaii's Ethanol blending legislation is implemented in 2006, does ICF believe that Singapore and Gulf Coast differentials will still be the most appropriate metric to be utilized in formulating the grade adjustments set forth in Section 4.0 of the Report?

- a. If so, please explain in as much detail as possible, the entire basis for this position.
- b. If not, please explain in as much detail as possible, why not.

SHELL-IR-56

**Reference: p. 53.** In § 4.3.1 of the Report, ICF states that it "does not believe there is value in further differentiating the Rack sales based on Branded and Unbranded classes of trade. The Premium (and Midgrade) spreads versus Regular Unleaded are not believed to vary significantly between these classes of trade." Please explain in as much detail as possible, the entire basis for this belief, including but not limited to an explanation of how ICF came to this conclusion.

SHELL-IR-57

**Reference: p. 53.** In preparing § 4.3 of the Report, did ICF perform any analysis regarding the different qualities of premium unleaded products offered in the marketplace?

- a. If so, please explain in as much detail as possible the analysis that was performed.
- b. If not, please explain why this analysis was not performed.

SHELL-IR-58

Is it ICF's position that the proposed mid-grade adjustment factor of \$.05 cpg as set forth in HRS § 486H-13(f) is not an appropriate factor to be utilized in the implementation of the gas cap law.

- a. If not, please explain why not.
- b. If so, please explain in as much detail as possible ICF's entire basis for its position.

SHELL-IR-59

Is it ICF's position that the proposed premium adjustment factor of \$.09 cpg as set forth in HRS § 486H-13(g) is not an appropriate factor to be utilized in the implementation of the gas cap law?

- a. If not, please explain why not.

- b. If so, please explain in as much detail as possible ICF's entire basis for its position.
- SHELL-IR-60 **Reference: p. 62.** In preparing § 5.0 of the Report, please explain in as much detail as possible, how company cost data was calculated to arrive at the recommended zone adjustment figures.
- SHELL-IR-61 **Reference: p. 62.** In formulating the recommended zone adjustments in § 5.0 of the Report, was the cost data submitted by the Company simply averaged, was said data weighted by market share and measured for appropriateness?
- a. If said data was simply averaged, please explain in as much detail as possible why further analysis as described above, was not performed.
- b. If ICF weighted said data by market share and measured said data for appropriateness, please explain in as much detail as possible, the analysis that was performed.
- SHELL-IR-62 **Reference: 59.** In preparing § 5.0 of the Report, did ICF perform any research and/or analysis regarding the types of different operating circumstances surrounding the various supply contracts between refiners and suppliers within the state of Hawaii?
- a. If so, please explain in as much detail as possible the type of research and/or analysis that was performed.
- b. If not, please explain why this type of research and/or analysis was not performed.
- SHELL-IR-63 **Reference: 59.** In preparing § 5.0 of the Report, given that ICF proposes that bulk sales between a refiner and a supplier also could include the recommended zone price adjustment (as set forth on p. 43 of the Report), how would ICF propose a supplier recover the higher cost of doing business on an outer island if the refiner is also allowed to include the entire zone adjustment differential in the bulk price?
- SHELL-IR-64 **Reference: 59.** Would ICF agree that it would be a more appropriate result if zone differences were flexible enough to recognize the different operating circumstances surrounding the various supply contracts between refiners and suppliers?

- a. If not, please explain in as much detail as possible, why not.

SHELL-IR-65

**Reference: p. 65.** Has ICF studied the time and cost impact to suppliers and marketers that will be required to comply with its proposed recommendations as set forth in § 7.0 of the Report?

- a. If so, please explain in as much detail as possible, the results of that information.
- b. Does ICF's agree that there will be a cost impact to suppliers and marketers regarding the requirements of complying with the recommendations as set forth in § 7.0 of the Report?
  - (1) If not, please explain in as much detail as possible why not.

SHELL-IR-66

**Reference: p. 65.** Please confirm that ICF's recommendations as set forth in § 7.0 of the Report does not include any mechanism for suppliers and marketers to recoup any of the costs that will be incurred for complying with these recommendations.

SHELL-IR-67

**Reference: p. 65.** Does ICF agree that it would be appropriate for suppliers and marketers to be entitled to recoup the costs that will be incurred to comply with the recommendations set forth in § 7.0 of the Report?

- a. If ICF does not agree, please explain in as much detail as possible its position.

SHELL-IR-68

**Reference: p. 65.** Did ICF consider alternative methods to validate industry compliance?

- a. If yes, what were the other alternatives and why were they dismissed in favor of the final recommendation?
- b. If not, please explain in as much detail as possible, why not?

SHELL-IR-69

**Reference: p. 68.** Does the recommended database tool in § 7.3 of the Report contain any systems to verify the accurateness of the information that is being utilized to calculate the gas caps?

- a. If so, please explain in as much detail as possible what they are.



- b. If there are no such systems, please explain in as much detail as possible, why said systems are not in place.

SHELL-IR-70

**Reference: p. 68.** Does ICF acknowledge that in using external sources for pricing information such as Platt's etc. there are situations where there are errors that arise from in the data that is published this information?

- a. If not, please explain in as much detail as possible the entire basis for this position.
- b. If so, will the database tool recommended by ICF have any default provision or system in place to promptly address these errors?
  - (1) If so, please explain in as much detail as possible, how said default provision or system will work.

SHELL-IR-71

**Reference: p. 68.** Do any of ICF's recommendations as set forth in § 7.0 of the Report take into consideration potential liability issues that may arise from the posting of incorrect information?

- a. If so, explain in as much detail as possible, what these considerations are.
- b. If not, please explain in as much detail as possible why not.

SHELL-IR-72

**Reference: p. 68.** In preparing its recommend database tool and reporting concept as set forth in § 7.0 of the Report, has ICF considered the impact of whether there are any anti-trust considerations that are impacted by way of the proposed format of having suppliers and marketers submit confidential pricing information into a single database?

- a. If so, please explain in as much detail as possible what these considerations are.
- b. If not, is it ICF's position that there are no anti-trust considerations that are impacted by way of the proposed format?

SHELL-IR-73

**Reference: p. 68.** In preparing its recommend database tool and reporting concept as set forth in § 7.0 of the Report, is ICF aware of whether the PUC, or anyone on behalf of the PUC, has considered the impact of whether there are any anti-trust considerations that are impacted by way of the proposed format of having suppliers and marketers submit confidential pricing information into a single database?

- a. If so, please explain in as much detail as possible what these considerations are.

SHELL-IR-74

**Reference: p. 68.** Does ICF believe that once the Hawaii Ethanol legislation is implemented in 2006, it would be appropriate for the recommended formula and process for computing gas caps, and for monitoring same, as set forth in § 7.0 of the Report, be adjusted to reflect the impact of the Ethanol legislation?

- a. If not, please explain in as much detail as possible why not.
- b. If so, please explain in as much detail as possible what those adjustments should be, and how said adjustments should be implemented.

SHELL-IR-75

**Reference: p. 76.** At p. 76 of the Report, ICF states that: "While the Legislature's desire to achieve competitive, market based gasoline price caps is much better than simply establishing a hard price cap, the Gas Cap legislation is still a disruption to the free market system. The mechanism proposed herein by the Legislature, and with ICF's recommendations, attempts to minimize those disruptions. There will however, be situations where the gasoline price rises in the Caribbean, or Singapore markets due to events local to those markets which could impact Hawaii consumers due to the formula. Or, outages at Hawaii refineries may locally affect Hawaii supply and inventory, but the Gas Cap would not change because Hawaii's problem likely won't impact the Caribbean, USGC or Singapore markets. More critically, if imports are needed to make up the lost volume, the inability to raise prices beyond the gas cap may blunt economic replenishment, and jeopardize supply." In view of this position, does ICF acknowledge that a potential impact of the implementation of the gas cap law as recommended by way of the Report, is that there could be a decrease in the available supply of gasoline within the state of Hawaii?

- a. If not, please explain in as much detail as possible why not.

- b. If so, please explain in as much detail as possible, how the implementation of the gas cap law as recommended by way of the Report could create a decrease in the available supply of gasoline within the state of Hawaii.

SHELL-IR-76

**Reference: p. 74.** Does ICF acknowledge that the implementation of the gas cap law as recommended in the Report could lead to an increased risk of a Hawaii refiner closing its Hawaii business?

- a. As noted in the Report at p. 74, “[a] decision to close one of the refineries due to a low return on investment would significantly increase Hawaii’s dependence on imported products, including gasoline, diesel, residuals, and jet fuel, directionally raise prices and require additional inventory for contingency supply.” In view of this position, does ICF agree that under the scenario defined herein, such a situation could result in the decrease in the available supply of gasoline in the state of Hawaii?

- (1) If not, please explain in as much detail as possible, why not.

- a. Did ICF perform any analysis on the issue of the possibility of having to replace a refiner who closes its Hawaii operations because of the implementation of the gas cap law as recommended in the Report?

SHELL-IR-77

**Reference: p. 74.** Did ICF perform any analysis or research to study what the effect of the implementation of the gas cap law as recommended in the Report would have on the potential reduction of the available supply of gasoline within the state of Hawaii?

- a. If so, please explain in as much detail as possible, the type of analysis and research that was performed and the results of said analysis and research.
- b. If not, please explain in as much detail as possible why said research and analysis was not performed.
  - (1) Does ICF believe that it would be reasonable and prudent to perform research and analysis to study what the effect to the implementation of the gas cap law as recommended in the Report, would have on the potential reduction of the available supply of gasoline within the state of Hawaii?

- (a) If not, please explain in as much detail as possible, why not.
- (b) If so, would it be reasonable and prudent to perform said research and analysis prior to the implementation of the gas cap law?
  - (1) If not, please explain in as much detail as possible why not.
- (c) Does ICF have a position as to who would be the appropriate person or entity to perform such research and analysis?
  - (1) If so, please explain what this position is.
- (d) Does ICF have a position as to what a reasonable amount of time that should be allocated to perform this research and analysis?
  - (1) If so, please explain what this position is.

SHELL-IR-78

**Reference: p. 75.** At p. 75 of the Report, ICF states: “[t]here may be some unique situations (similar to Hana on Maui) in which small jobbers or distributors have few outlets which are in a high-cost-to-deliver regions, and the PUC may wish to consider some exceptions or further adjustments. Overall, the Gas Caps are structured so that sales at or approaching a DTW cap should provide a margin to cover a purchase at wholesale rack prices plus delivery cost, and profit. As with the Refining sector, wholesale marketing suppliers will likely have to closely examine business costs and margins in a market that is regulated. Since the total number of suppliers in Hawaii is small to begin with, the attrition of any marketers due to the Gas Cap impact needs to be quickly understood to minimize supply issues to consumers.” In view of this position, does ICF acknowledge that the implementation of the gas cap law as recommended in the Report could lead to an increased risk of gasoline marketers and/or suppliers deciding to cease operations in remote areas on the neighbor islands?

- a. If not, please explain in as much detail as possible why not.

- b. Did ICF perform any analysis or research to study what the effect of the implementation of the gas cap law as recommended in the Report would have on the potential for marketers and/or suppliers to cease operations in remote areas on the neighbor islands?
- (1) If so, please explain in as much detail as possible, the type of analysis and research that was performed and the results of said analysis and research.
  - (2) If not, please explain in as much detail as possible why this analysis or research was not completed.
  - (3) Does ICF believe that it would be reasonable and prudent to perform research and analysis to study what the effect to the implementation of the gas cap law as recommended in the Report, would have on the potential for marketers and/or suppliers to cease operations in rural areas within the state of Hawaii?
    - (a) If not, please explain in as much detail as possible, why not.
    - (b) If so, would it be reasonable and prudent to perform said research and analysis prior to the implementation of the gas cap law?
      - (1) If not, please explain in as much detail as possible why not.
    - (c) Does ICF have a position as to who would be the appropriate person or entity to perform such research and analysis?
      - (1) If so, please explain what this position is.
    - (d) Does ICF have a position as to what a reasonable amount of time that should be allocated to perform this research and analysis?
      - (1) If so, please explain what this position is.

- c. Did ICF perform any analysis on the issue of the possibility of having to replace marketers or suppliers who choose to cease operations in remote rural areas on the neighbor island because of the implementation of the gas cap law as recommended in the Report?
  - (1) If so, please explain in as much detail as possible, what this analysis is.

SHELL-IR-79

What conditions lead ICF to believe the existing legislation as currently set forth in HRS Chapter 486H could be improved though the changes recommended in its final Report?

SHELL-IR-80

Does ICF have a position on the issue of whether HRS Chapter 486H as currently drafted, fully appropriately addresses the Hawaii state legislature's intent to manage the wholesale price of gasoline within the state of Hawaii?

- a. If so, please explain in as much detail as possible, what ICF's position is, and what the entire basis for this position is.

SHELL-IR-81

Does ICF have a position on the issue of whether HRS Chapter 486H as currently drafted, adequately addresses the potential impact to the available supply of gasoline within the state of Hawaii?

- a. If so, please explain in as much detail as possible, what ICF's position is, and what the entire basis for this position is.

SHELL-IR-82

Does ICF have a position on the issue whether HRS Chapter 486H as currently drafted, properly addresses the impact of ethanol blending?

- a. If so, please explain in as much detail as possible, what ICF's position is, and what the entire basis for this position is.

SHELL-IR-83

Does ICF have a position on the issue of whether HRS Chapter 486H as currently drafted appropriately takes into consideration the different classes of trade utilized by various suppliers and the impact the cap could have on the structure of the competitive gasoline market in Hawaii?

- a. If so, please explain in as much detail as possible, what ICF's position is, and what the entire basis for this position is.

SHELL-IR-84

Does ICF have a position on the issue of whether HRS Chapter 486H, as currently drafted, will affect the pricing of gasoline in other States?

- a. If so, please explain in as much detail as possible, what ICF's position is, and what the entire basis for this position is.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above document was duly served upon the following parties in the manner described at their following last known addresses:

	<u>HAND DELIVER</u>	<u>U.S. MAIL</u>
KEVIN M. KATSURA, ESQ. Commission Counsel Hawaii Public Utilities Commission 465 S. King Street, Suite 103 Honolulu, HI 96813	X	
DIVISION OF CONSUMER ADVOCACY Dept. of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street, Rm. 326 Honolulu, Hawaii 96813	X	
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DATED: Honolulu, Hawaii, May 27, 2005.

A handwritten signature in black ink, appearing to read 'Clifford K. Higa', written over a horizontal line.

CLIFFORD K. HIGA

BRUCE NAKAMURA

Attorneys for SHELL OIL COMPANY